

**PREPARED REBUTTAL TESTIMONY  
OF  
GLENN L. DAVIDSON  
ON BEHALF OF  
CENTRAL ILLINOIS LIGHT COMPANY  
DOCKET NO. 00-0724**

1 Q1: Please state your name and business address.

2 A1: My name is Glenn L. Davidson and my business address is 300 Liberty Street, Peoria,  
3 Illinois, 61602.

4 Q2: Are you the same Glenn L. Davidson who previously submitted direct testimony in this  
5 proceeding?

6 A2: Yes, I am.

7 Q3: What is the purpose of your rebuttal testimony?

8 A3: The purpose of my rebuttal testimony is to respond to Staff witness Steven R. Knepler's  
9 proposal to apply the methodology set forth in the emergency rule amendments to 83 Illinois  
10 Administrative Code Part 425, which were approved on March 7, 2001.

11 Q4: How did CILCO allocate its costs of fuel and purchased power between competitive power  
12 sales and sales that are subject to the FAC?"

13 A4: As Mr. Knepler notes, the testimony and exhibits supporting the Company's 2000  
14 reconciliation filing use the methodology that the Company was required to follow as a result  
15 of the Commission's Order, entered on December 20, 2000 in Docket 99-0468. That  
16 order determined that under the Uniform Fuel Adjustment Clause rule, 83 Ill. Adm. Code

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Witness                       
Date 5-15-01 Reporter (P)

17 Part 425, which was in effect for CILCO's 1999 FAC reconciliation, all purchased power  
18 should be included in the FAC, and except for interchange transactions, which are allocated  
19 incremental costs, the remaining sales not subject to the FAC are to be allocated the average  
20 of the cost of purchased power and fuel.

21 Q5. How do you respond to Mr. Knepler's argument that the emergency or permanent  
22 amendments to the UFAC, 83 Ill. Adm. Code Part 425, in Docket 01-0253 should be  
23 applied in this case?

24 A5. Neither the emergency rule nor permanent rule adopted in Docket 01-0253 was in effect in  
25 the 2000 reconciliation year when CILCO incurred the subject costs for purchased power  
26 and fuel. The docket was not even initiated until March 7, 2001. The permanent rules have  
27 not yet become effective, and may not ever go into effect, if, for example, JCAR were to  
28 object to their adoption. Although I am not a lawyer, it is my understanding that the  
29 application of the emergency or permanent amendments to the UFAC to the reconciliation of  
30 CILCO's FAC costs in 2000 would represent retroactive ratemaking, and could only be  
31 applied if CILCO agreed to do it voluntarily, and no customers were adversely affected as a  
32 result. In this regard, the Company has been earnestly negotiating with Staff and all  
33 intervening parties toward the settlement of this docket and its prior 1999 FAC reconciliation  
34 proceedings. Those negotiations are nearly finished and if successful would render  
35 the issue moot. However, if the parties do not reach agreement or the Commission  
36 does not accept the settlement, I expect the Company's briefs in this proceeding to  
37 present legal arguments against retroactive application similar to the arguments the

38 Company made in its prior FAC-related dockets where the Staff and intervenors  
39 advocated the retroactive application of the rule changes adopted in Docket 01-0253.

40 Q6. Do you agree with Mr. Knepler's rationale that the amendments adopted in Docket 01-0253  
41 were merely a clarification that did not signify a change in Commission policy regarding the  
42 treatment of purchased power costs?

43 A6. No, I do not. Again I see interpretation of the Commission's Order as a legal issue that the  
44 Company will address in its briefs. However, both the emergency and permanent  
45 amendments adopted in Docket 01-0253 would require removal of purchased power costs  
46 attributable to off-system competitive sales on an incremental basis. The Second Notice  
47 Order dated June 19, 2001 indicates that incremental costs would include targeted purchases  
48 for off-system customers, and those targeted purchases are not to be included in the FAC.  
49 Because that is diametrically opposite to how the Commission's Order in Docket 99-0468  
50 interpreted the FAC, the emergency rule and permanent amendments to 83 Ill. Adm. Code  
51 Part 425 are not simply clarifications, but a major change intended to reach a different result,  
52 which cannot be retroactively applied by the Commission. I would further note that the  
53 Commission must not have believed the rule could be retroactively applied; otherwise the  
54 emergency rule would not have been necessary. If, as Staff seems to think, the permanent  
55 rule could be applied to the 2000 reconciliation, there was absolutely no reason for adopting  
56 the emergency rule. If the permanent rule were applied to 2000, the emergency rule would  
57 not apply to any period, and the Commission should not be presumed to have enacted a  
58 meaningless emergency rule.

59 Q7. Does this complete your prepared rebuttal testimony?

60 A7. Yes, it does.